

# RANKIN COUNTY, MISSISSIPPI

Audited Financial Statements and Special Reports

For the Year Ended September 30, 2018

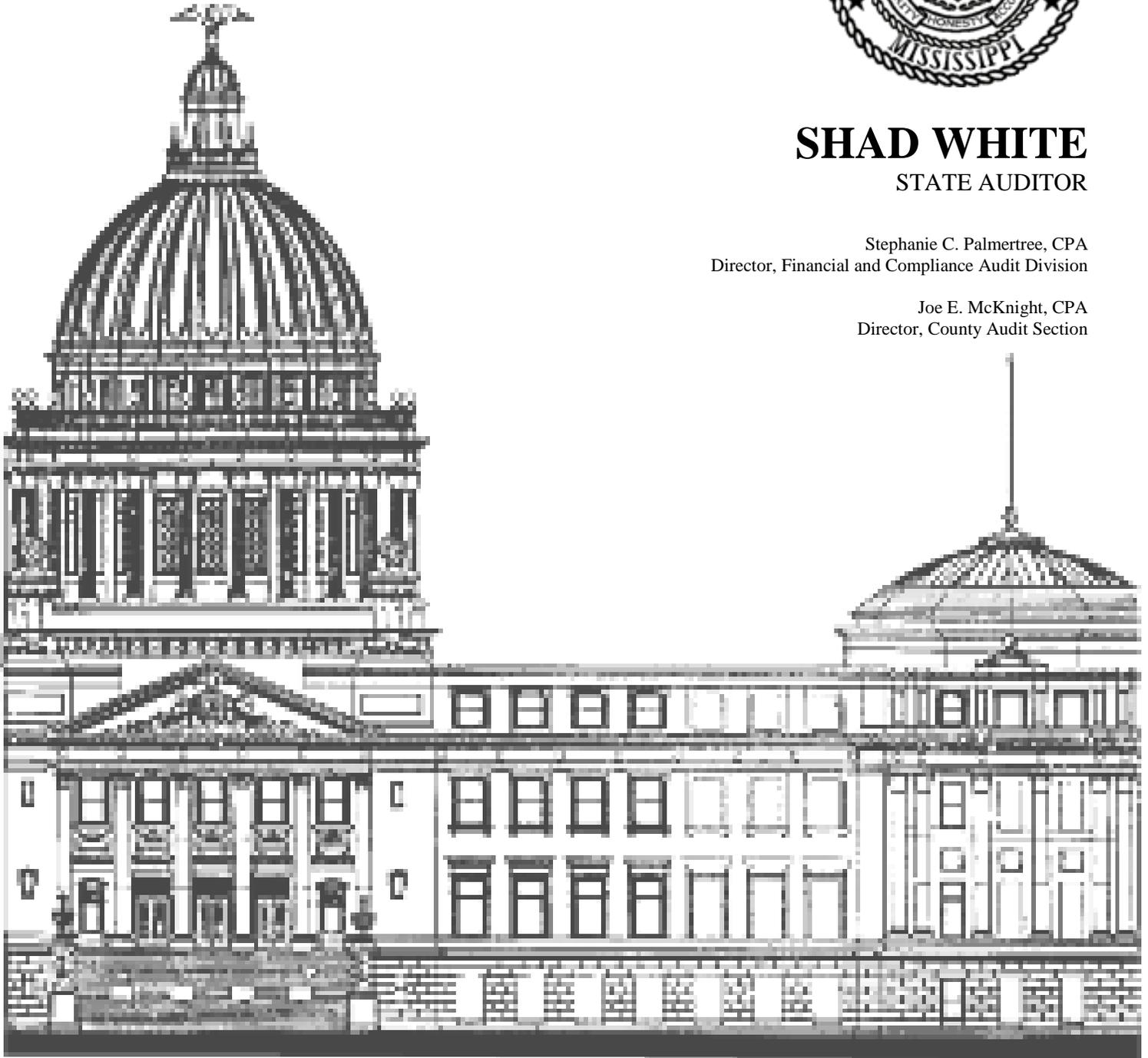


## SHAD WHITE

STATE AUDITOR

Stephanie C. Palmertree, CPA  
Director, Financial and Compliance Audit Division

Joe E. McKnight, CPA  
Director, County Audit Section



A Report from the County Audit Section

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR**

**Shad White**  
AUDITOR

September 24, 2019

Members of the Board of Supervisors  
Rankin County, Mississippi

Dear Board Members:

I am pleased to submit to you the 2018 financial and compliance audit report for Rankin County. This audit was performed pursuant to Section 7-7-211(e), Mississippi Code Ann. (1972). The audit was performed in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

I appreciate the cooperation and courtesy extended by the officials and employees of Rankin County throughout the audit. Thank you for working to move Mississippi forward by serving as a supervisor for Rankin County. If I or this office can be of any further assistance, please contact me or Joe McKnight of my staff at (601) 576-2674.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Shad White", is written over a horizontal line.

Shad White



RANKIN COUNTY  
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RANKIN COUNTY

FINANCIAL SECTION

RANKIN COUNTY

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**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
SHAD WHITE  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board of Supervisors  
Rankin County, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rankin County, Mississippi, (the County) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units***

The financial statements do not include financial data for the County’s legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the County’s primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The County has not issued such reporting entity financial statements. The amount by which this departure would affect the assets, liabilities, net position, revenue and expenses of the aggregate discretely presented component units has not been determined.

***Adverse Opinion***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph, the financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of Rankin County, Mississippi, as of September 30, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Qualified Opinion on Governmental Activities***

As discussed in Note 10 to the financial statements, the County has not recorded a liability for other postemployment benefits in the governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities has not been determined.

***Qualified Opinion***

In our opinion, except for the effects of the matter described in the “Basis for Qualified Opinion on Governmental Activities” paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Rankin County, Mississippi, as of September 30, 2018, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Qualified Opinion on the General Fund***

Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable of the Justice Court or the aging of these fines receivable. Adequate subsidiary records were not maintained and preserved for the Justice Court fines receivable aging schedules at September 30, 2018. Due to the nature of the County’s records, we were unable to satisfy ourselves as to the fair presentation of fines receivable, net, reported in the General Fund at \$1,828,676, as of September 30, 2018. Also, because of the nature of the fines receivable records, we could not satisfy ourselves as to the fair presentation of the related transactions of the General Fund.

***Qualified Opinion***

In our opinion, except for the effects of such adjustments, if any, as might have been determined had we been able to examine evidence to determine the net realizable value of the fines receivable reported in the General Fund, the financial statements referred to previously present fairly, in all material respects, the financial position of the General Fund in Rankin County, Mississippi, as of September 30, 2018, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the County Unit Road Maintenance Fund, the County Unit Bridge and Culvert Fund, the Rankin County 2008 Bond and Interest Fund, the Courthouse Facility 2017 Bond Fund and the aggregate remaining fund information of Rankin County, Mississippi, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules and corresponding notes, the Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Omission of Required Supplementary Information***

Rankin County, Mississippi, has omitted the Management's Discussion and Analysis and the Schedule of Funding Progress – Other Postemployment Benefits that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rankin County, Mississippi's basic financial statements. The accompanying Reconciliation of the Operating Costs of Solid Waste is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Reconciliation of Operating Costs of Solid Waste is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Reconciliation of Operating Costs of Solid Waste is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Surety Bonds for County Officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2019 on our consideration of Rankin County, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rankin County, Mississippi's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rankin County, Mississippi's internal control over financial reporting and compliance.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

September 24, 2019

RANKIN COUNTY

FINANCIAL STATEMENTS

RANKIN COUNTY

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RANKIN COUNTY  
Statement of Net Position  
September 30, 2018

Exhibit 1

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash	\$ 52,616,485
Investments	32,835,116
Accrued interest receivable	153,659
Property tax receivable	46,235,413
Accounts receivable (net of allowance for uncollectibles of \$962,345)	366,965
Fines receivable (net of allowance for uncollectibles of \$8,491,670)	1,828,676
Intergovernmental receivables	1,753,296
Other receivables	104,599
Capital assets:	
Land and construction in progress	16,638,123
Other capital assets, net	189,529,677
Total Assets	<u>342,062,009</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	4,096,201
Total Deferred Outflows of Resources	<u>4,096,201</u>
<b>LIABILITIES</b>	
Claims payable	1,610,563
Intergovernmental payables	4,277,378
Accrued interest payable	795,264
Amounts held in custody for others	1,194,016
Claims and judgments payable	119,887
Long-term liabilities	
Net pension liability	51,405,195
Due within one year:	
Capital debt	7,308,390
Non-capital debt	115,386
Due in more than one year:	
Capital debt	59,489,532
Non-capital debt	1,677,256
Total Liabilities	<u>127,992,867</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	1,499,767
Deferred revenues - property taxes	46,235,413
Total Deferred Inflows of Resources	<u>47,735,180</u>
<b>NET POSITION</b>	
Net investment in capital assets	139,369,878
Restricted for:	
Expendable:	
General government	17,904,533
Public safety	5,915,064
Public works	26,706,983
Health and welfare	737,183
Culture and recreation	416,363
Debt service	2,495,631
Unemployment compensation	97,384
Unrestricted	(23,212,856)
Total Net Position	<u>\$ 170,430,163</u>

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY  
Statement of Activities  
For the Year Ended September 30, 2018

Exhibit 2

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities
Primary government:					
Governmental activities:					
General government	\$ 17,161,950	3,934,409	71,589		(13,155,952)
Public safety	21,309,973	4,168,411	850,133		(16,291,429)
Public works	25,612,728	4,701,728	1,137,784	340,355	(19,432,861)
Health and welfare	1,276,847		356,985		(919,862)
Culture and recreation	66,935				(66,935)
Conservation of natural resources	428,208				(428,208)
Economic development and assistance	801,584				(801,584)
Interest on long-term debt	2,430,298				(2,430,298)
Pension expense	5,758,655				(5,758,655)
Total Governmental Activities	\$ 74,847,178	12,804,548	2,416,491	340,355	(59,285,784)
General revenues:					
Property taxes				\$	45,634,732
Road & bridge privilege taxes					2,323,614
Grants and contributions not restricted to specific programs					4,797,555
Unrestricted interest income					1,112,762
Miscellaneous					7,447,299
Total General Revenues					61,315,962
Changes in Net Position					2,030,178
Net Position - Beginning, as previously reported					150,555,338
Prior period adjustments					17,844,647
Net Position - Beginning, as restated					168,399,985
Net Position - Ending				\$	170,430,163

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY  
Balance Sheet - Governmental Funds  
September 30, 2018

Exhibit 3

	Major Funds						
	General Fund	County Unit Road Maintenance Fund	County Unit Bridge and Culvert Fund	Rankin County 2008 Bond and Interest Fund	Courthouse Facility 2017 Bond Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash	\$ 23,768,044	8,226,844	1,470,309	1,967,894	11,738,032	4,675,749	51,846,872
Investments	6,948,661	7,578,358	9,036,752	486,756	5,825,482	2,959,107	32,835,116
Accrued interest receivable	35,551	38,550	46,072	2,492	15,851	15,143	153,659
Property tax receivable	26,358,177	8,066,000	3,062,400	7,085,700		1,663,136	46,235,413
Accounts receivable (net of allowance for uncollectibles of \$962,345)						366,965	366,965
Fines receivable (net of allowance for uncollectibles of \$8,491,670)	1,828,676						1,828,676
Intergovernmental receivables	1,720,412	32,884					1,753,296
Other receivables						17,142	17,142
Due from other funds		400,514	84,567	195,565		270,732	951,378
<b>Total Assets</b>	<b>\$ 60,659,521</b>	<b>24,343,150</b>	<b>13,700,100</b>	<b>9,738,407</b>	<b>17,579,365</b>	<b>9,967,974</b>	<b>135,988,517</b>
<b>LIABILITIES</b>							
Liabilities:							
Claims payable	\$ 415,709	417,332	157,500		228,044	391,978	1,610,563
Intergovernmental payables	4,277,378						4,277,378
Amounts held in custody for others	1,194,016						1,194,016
Due to other funds	951,378						951,378
<b>Total Liabilities</b>	<b>6,838,481</b>	<b>417,332</b>	<b>157,500</b>	<b>0</b>	<b>228,044</b>	<b>391,978</b>	<b>8,033,335</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>							
Unavailable revenue - property taxes	26,358,177	8,066,000	3,062,400	7,085,700		1,663,136	46,235,413
Unavailable revenue - solid waste fees						366,965	366,965
Unavailable revenue - fines	1,828,676						1,828,676
<b>Total Deferred Inflows of Resources</b>	<b>28,186,853</b>	<b>8,066,000</b>	<b>3,062,400</b>	<b>7,085,700</b>	<b>0</b>	<b>2,030,101</b>	<b>48,431,054</b>

RANKIN COUNTY  
 Balance Sheet - Governmental Funds  
 September 30, 2018

Exhibit 3 - Cont'd

	<u>Major Funds</u>						
	<u>General Fund</u>	<u>County Unit Road Maintenance Fund</u>	<u>County Unit Bridge and Culvert Fund</u>	<u>Rankin County 2008 Bond and Interest Fund</u>	<u>Courthouse Facility 2017 Bond Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund balances:							
Restricted for:							
General government					17,351,321	553,212	17,904,533
Public safety						5,915,064	5,915,064
Public works		15,859,818	10,480,200				26,340,018
Culture and recreation						416,363	416,363
Debt service				2,652,707		638,188	3,290,895
Unemployment compensation						97,384	97,384
Unassigned	25,634,187					(74,316)	25,559,871
Total Fund Balances	<u>25,634,187</u>	<u>15,859,818</u>	<u>10,480,200</u>	<u>2,652,707</u>	<u>17,351,321</u>	<u>7,545,895</u>	<u>79,524,128</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 60,659,521</u>	<u>24,343,150</u>	<u>13,700,100</u>	<u>9,738,407</u>	<u>17,579,365</u>	<u>9,967,974</u>	<u>135,988,517</u>

The notes to the financial statements are an integral part of this statement.

## RANKIN COUNTY

Exhibit 3-1Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
September 30, 2018

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 79,524,128
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities and are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$208,160,175.	206,167,800
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	2,195,641
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(68,590,564)
Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.	(51,405,195)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(795,264)
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	4,096,201
Deferred inflows of resources related to pensions	(1,499,767)
Internal Service Funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Position.	<u>737,183</u>
Total Net Position - Governmental Activities	\$ <u><u>170,430,163</u></u>

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY

Exhibit 4

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2018

	Major Funds						Total Governmental Funds
	General Fund	County Unit Road Maintenance Fund	County Unit Bridge and Culvert Fund	Rankin County 2008 Bond and Interest Fund	Courthouse Facility 2017 Bond Fund	Other Governmental Funds	
<b>REVENUES</b>							
Property taxes	\$ 25,967,490	8,109,579	2,979,236	6,922,124		1,656,303	45,634,732
Road and bridge privilege taxes		2,323,614					2,323,614
Licenses, commissions and other revenue	3,109,373	2,987	773	1,791		42,065	3,156,989
Fines and forfeitures	1,417,951						1,417,951
Intergovernmental revenues	5,234,342	1,459,412	36,210			824,437	7,554,401
Charges for services	1,285,061					6,728,884	8,013,945
Interest income	321,072	214,283	248,493	13,255	233,645	80,558	1,111,306
Miscellaneous revenues	3,741,897	3,149,744	1,650			554,008	7,447,299
<b>Total Revenues</b>	<b>41,077,186</b>	<b>15,259,619</b>	<b>3,266,362</b>	<b>6,937,170</b>	<b>233,645</b>	<b>9,886,255</b>	<b>76,660,237</b>
<b>EXPENDITURES</b>							
<b>Current:</b>							
General government	18,010,173				5,133,966	676	23,144,815
Public safety	20,353,822					3,624,112	23,977,934
Public works		19,573,979	4,933,063			4,894,271	29,401,313
Health and welfare	1,276,847						1,276,847
Culture and recreation	62,958					291	63,249
Conservation of natural resources	424,044						424,044
Economic development and assistance	305,446					496,926	802,372
<b>Debt service:</b>							
Principal	2,986	1,165,397	458,347	4,995,000		589,638	7,211,368
Interest	8	81,185	16,624	1,104,987	1,246,000	236,300	2,685,104
<b>Total Expenditures</b>	<b>40,436,284</b>	<b>20,820,561</b>	<b>5,408,034</b>	<b>6,099,987</b>	<b>6,379,966</b>	<b>9,842,214</b>	<b>88,987,046</b>
<b>Excess of Revenues over (under) Expenditures</b>	<b>640,902</b>	<b>(5,560,942)</b>	<b>(2,141,672)</b>	<b>837,183</b>	<b>(6,146,321)</b>	<b>44,041</b>	<b>(12,326,809)</b>

RANKIN COUNTY

Exhibit 4 - Cont'd

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds  
For the Year Ended September 30, 2018

	<u>Major Funds</u>						
	<u>General</u>	<u>County</u>	<u>County</u>	<u>Rankin County</u>	<u>Courthouse</u>	<u>Other</u>	<u>Total</u>
	<u>Fund</u>	<u>Unit Road</u>	<u>Unit Bridge</u>	<u>2008 Bond</u>	<u>Facility</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Maintenance</u>	<u>and Culvert</u>	<u>and Interest</u>	<u>2017 Bond</u>	<u>Funds</u>	<u>Funds</u>
		<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>		<u>Funds</u>
OTHER FINANCING SOURCES (USES)							
Long-term capital debt issued		900,550	1,120,872				2,021,422
Proceeds from sale of capital assets	54,754	527,585	476,770				1,059,109
Transfers in	250,000				81,000		331,000
Transfers out	(206,000)						(206,000)
Total Other Financing Sources and Uses	<u>98,754</u>	<u>1,428,135</u>	<u>1,597,642</u>	<u>0</u>	<u>81,000</u>	<u>0</u>	<u>3,205,531</u>
Net Changes in Fund Balances	<u>739,656</u>	<u>(4,132,807)</u>	<u>(544,030)</u>	<u>837,183</u>	<u>(6,065,321)</u>	<u>44,041</u>	<u>(9,121,278)</u>
Fund Balances - Beginning, as previously reported	25,037,364	20,147,508	11,209,336	1,825,535	23,469,484	7,562,693	89,251,920
Prior period adjustments	(142,833)	(154,883)	(185,106)	(10,011)	(52,842)	(60,839)	(606,514)
Fund Balances - Beginning, as restated	<u>24,894,531</u>	<u>19,992,625</u>	<u>11,024,230</u>	<u>1,815,524</u>	<u>23,416,642</u>	<u>7,501,854</u>	<u>88,645,406</u>
Fund Balances - Ending	<u>\$ 25,634,187</u>	<u>15,859,818</u>	<u>10,480,200</u>	<u>2,652,707</u>	<u>17,351,321</u>	<u>7,545,895</u>	<u>79,524,128</u>

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY

Exhibit 4-1

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2018

	<u>Amount</u>
Net Changes in Fund Balances - Governmental Funds	\$ (9,121,278)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Thus, the change in net position differs from the change in fund balances by the amount that capital outlays of \$17,307,295 exceeded depreciation of \$8,015,447 in the current period.	9,291,848
In the Statement of Activities, only gains and losses from the sale of capital assets are reported, whereas in the Governmental Funds, proceeds from the sale of capital assets increase financial resources. Thus, the change in net position differs from the change in fund balances by the amount of the net loss of \$16,521 and the proceeds from the sale of \$1,059,109 in the current period.	(1,075,630)
Fine revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	337,995
Solid waste revenue recognized on the modified accrual basis in the funds during the current year is reduced because prior year recognition would have been required on the Statement of Activities using the full-accrual basis of accounting.	(122,332)
Debt proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Thus, the change in net position differs from the change in fund balances by the amount that debt repayments of \$7,211,368 exceeded debt proceeds of \$2,021,422.	5,189,946

RANKIN COUNTY

Exhibit 4-1 - Cont'd

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2018

Amount

Under the modified accrual basis of accounting used in the Governmental Funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. However, in the Statement of Activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is recognized under the modified accrual basis of accounting when due, rather than as it accrues. Thus, the change in net position differs from the change in fund balances by a combination of the following items:

The amount of increase in compensated absences liability	(345,523)
The amount of increase in accrued interest payable	(140,349)
The amortization of bond premium	409,100
The amortization of bond discounts	(13,945)

Some items reported in the Statement of Activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(5,758,655)
Recording of contributions made during the year	3,128,346

An Internal Service Fund is used by management to charge the cost of insurance to individual funds. The net revenue (expense) is reported within governmental activities.

250,655

Change in Net Position of Governmental Activities

\$ 2,030,178

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY  
Statement of Net Position - Proprietary Fund  
September 30, 2018

Exhibit 5

	Governmental Activities
	Self-insurance Internal Service Fund
	<u>                    </u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 769,613
Other receivables	<u>87,457</u>
Total Current Assets	<u>857,070</u>
Total Assets	<u>857,070</u>
<b>LIABILITIES</b>	
Current liabilities:	
Claims and judgments payable	<u>119,887</u>
Total Current Liabilities	<u>119,887</u>
Total Liabilities	<u>119,887</u>
<b>NET POSITION</b>	
Restricted for:	
Health and welfare	<u>737,183</u>
Total Net Position	<u>\$ <u>737,183</u></u>

The notes to the financial statements are an integral part of this statement.

## RANKIN COUNTY

Exhibit 6

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund  
For the Year Ended September 30, 2018

	Governmental Activities
	Self-insurance Internal Service Fund
	<u>Fund</u>
Operating Revenues	
Premiums	\$ 4,561,012
Total Operating Revenues	<u>4,561,012</u>
Operating Expenses	
Claims payments	<u>4,186,813</u>
Total Operating Expenses	<u>4,186,813</u>
Operating Income (Loss)	<u>374,199</u>
Nonoperating Revenues (Expenses)	
Interest income	<u>1,456</u>
Net Nonoperating Revenue (Expenses)	<u>1,456</u>
Net Income (Loss) Before Transfers	375,655
Transfers in	125,000
Transfers out	<u>(250,000)</u>
Changes in Net Position	<u>250,655</u>
Net Position - Beginning, as previously reported	117,468
Prior period adjustment	<u>369,060</u>
Net Position - Beginning, as restated	<u>486,528</u>
Net Position - Ending	<u>\$ 737,183</u>

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY  
Statement of Cash Flows - Proprietary Fund  
For the Year Ended September 30, 2018

Exhibit 7

	Governmental Activities
	<u>Self-insurance Internal Service Fund</u>
Cash Flows From Operating Activities	
Receipts for premiums	\$ 4,561,012
Payments for claims	<u>(4,269,227)</u>
Net Cash Provided (Used) by Operating Activities	<u>291,785</u>
Cash Flows From Noncapital Financing Activities	
Cash received from other funds:	
Operating transfers in	125,000
Cash paid to other funds:	
Operating transfers out	<u>(250,000)</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(125,000)</u>
Cash Flows From Investing Activities	
Interest on deposits	1,456
Net Cash Provided (Used) by Investing Activities	<u>1,456</u>
Net Increase (Decrease) in Cash and Cash Equivalents	168,241
Cash and Cash Equivalents at Beginning of Year	<u>601,372</u>
Cash and Cash Equivalents at End of Year	<u>\$ 769,613</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ 374,199
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Prior period adjustment	369,060
Changes in assets and liabilities:	
(Increase) decrease in other receivables	(87,457)
Increase (decrease) in claims and judgments liability	<u>(364,017)</u>
Total Adjustments	<u>(82,414)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 291,785</u>

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY  
Statement of Fiduciary Assets and Liabilities  
September 30, 2018

Exhibit 8

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash	\$ 2,104,439
Total Assets	\$ <u>2,104,439</u>
<b>LIABILITIES</b>	
Amounts held in custody for others	\$ 398,119
Intergovernmental payables	1,706,320
Total Liabilities	\$ <u>2,104,439</u>

The notes to the financial statements are an integral part of this statement.

RANKIN COUNTY

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RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

(1) Summary of Significant Accounting Policies.

A. Financial Reporting Entity.

Rankin County, Mississippi (the County) is a political subdivision of the State of Mississippi. The County is governed by an elected five-member Board of Supervisors. Accounting principles generally accepted in the United States of America require Rankin County to present these financial statements on the primary government and its component units which have significant operational or financial relationships with the County.

Management has chosen to omit from these financial statements the following component units which have significant operational or financial relationships with the County. Accordingly, the financial statements do not include the data of all of the County's component units necessary for reporting in accordance with accounting principles generally accepted in the United States of America.

- Rankin County Economic Development Authority
- Rankin County Human Resource Agency
- Cleary Water, Sewer, and Fire Protection District
- Evergreen Fire Protection District
- Lake Harbor Fire Protection District
- Reservoir Fire Protection District
- Robinhood Fire Protection District
- Southwest Rankin County Fire Protection District
- Star Fire Protection District
- Richland Creek Watershed Drainage District
- Five Lakes Utility District

State law pertaining to county government provides for the independent election of county officials. The following elected and appointed officials are all part of the County legal entity and therefore are reported as part of the primary government financial statements.

- Board of Supervisors
- Chancery Clerk
- Circuit Clerk
- Justice Court Clerk
- Purchase Clerk
- Tax Assessor
- Tax Collector
- Sheriff

B. Basis of Presentation.

The County's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, fund financial statements and accompanying note disclosures which provide a detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Position and Statement of Activities display information concerning the County as a whole. The statements include all nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are generally financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Position presents the financial condition of the governmental activities of the County at year-end. The Government-wide Statement of Activities presents a comparison between direct expenses

## RANKIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

and program revenues for each function or program of the County's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenues not classified as program revenues, are presented as general revenues of the County, with certain limited exceptions. Internal service fund balances have been eliminated against the expenses and program revenue. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the County.

#### Fund Financial Statements:

Fund financial statements of the County are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures/expenses. Funds are organized into governmental, proprietary and fiduciary. Major individual Governmental Funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column as Other Governmental Funds.

#### C. Measurement Focus and Basis of Accounting.

The Government-wide, Proprietary Funds and Fiduciary Funds (excluding agency funds) financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flows take place. Property taxes are recognized as revenue in the year for which they are levied. Shared revenues are recognized when the provider government recognizes the liability to the County. Grants are recognized as revenues as soon as all eligibility requirements have been satisfied. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of Proprietary Funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services in connection with a Proprietary Fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental financial statements are presented using a current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period when they are both measurable and available to finance operations during the year or to liquidate liabilities existing at the end of the year. Available means collected in the current period or within 60 days after year end to liquidate liabilities existing at the end of the year. Measurable means knowing or being able to reasonably estimate the amount. Expenditures are recognized in the accounting period when the related fund liabilities are incurred. Debt service expenditures and expenditures related to compensated absences and claims and judgments, are recognized only when payment is due. Property taxes, state appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period.

The County reports the following major Governmental Funds:

General Fund - This fund is used to account for and report all financial resources not accounted for and reported in another fund.

County Unit Road Maintenance Fund - This fund is used to account for monies from specific revenue sources that are restricted for road maintenance.

County Unit Bridge and Culvert Fund - This fund is used to account for monies from specific revenue sources that are restricted for bridge and culvert maintenance.

## RANKIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

Rankin County 2008 Bond and Interest Fund - This fund is used to account for the accumulation of resources for, and the payment of, general obligation bond principal, interest and related costs.

Courthouse Facility 2017 Bond Fund - This fund is used for the accumulation of resources for, and the payment of, bond principal, interest and related cost associated with the construction of new courthouse facilities.

Additionally, the County reports the following fund types:

#### GOVERNMENTAL FUND TYPES

Special Revenue Funds - These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

#### PROPRIETARY FUND TYPE

Internal Service Fund – This fund is used to account for those operations that provide services to other departments or agencies of the government, or to other governments, on a cost-reimbursement basis. The County’s internal service fund reports on self-insurance programs for employee medical and dental benefits.

#### FIDUCIARY FUND TYPE

Agency Funds - These funds account for various taxes, deposits, and other monies collected or held by the county, acting in the capacity of an agent, for distribution to other governmental units or designated beneficiaries.

#### D. Account Classifications.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing and Financial Reporting* as issued in 2012 by the Government Finance Officers Association.

#### E. Deposits and Investments.

State law authorizes the County to invest in interest bearing time certificates of deposit for periods of fourteen days to one year with depositories and in obligations of the U.S. Treasury, State of Mississippi, or any county, municipality or school district of this state. Further, the County may invest in certain repurchase agreements.

Cash includes cash on hand, demand deposits, all certificates of deposit and cash equivalents, which are short-term highly liquid investments that are readily convertible to cash (generally three months or less). Investments in governmental securities are stated at fair value.

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

F. Receivables.

Receivables are reported net of allowances for uncollectible accounts, where applicable.

G. Interfund Transactions and Balances.

Transactions between funds that are representative of short-term lending/borrowing arrangements and transactions that have not resulted in the actual transfer of cash at the end of the fiscal year are referred to as "due to/from other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Position.

H. Capital Assets.

Capital acquisition and construction are reflected as expenditures in Governmental Fund statements and the related assets are reported as capital assets in the applicable governmental activities column in the government-wide financial statements. All purchased capital assets are stated at historical cost where records are available and at an estimated historical cost where no records exist. Capital assets include significant amounts of infrastructure which have been valued at estimated historical cost. The estimated historical cost was based on replacement cost multiplied by the consumer price index implicit price deflator for the year of acquisition. The extent to which capital assets costs have been estimated and the methods of estimation are not readily available. Donated capital assets are recorded at estimated fair market value at the time of donation. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend their respective lives are not capitalized; however, improvements are capitalized. Interest expenditures are not capitalized on capital assets.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives are used to report capital assets in the government-wide statements and Proprietary Funds. Depreciation is calculated on the straight-line basis for all assets, except land. A full year's depreciation expense is taken for all purchases and sales of capital assets during the year. The following schedule details those thresholds and estimated useful lives:

	Capitalization Thresholds	Estimated Useful Life
Land	\$ 0	N/A
Infrastructure	0	20-50 years
Buildings	50,000	40 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

\* Leased property capitalization policy and estimated useful life will correspond with the amounts for the asset classification, as listed above.

I. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

## RANKIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

Deferred outflows related to pensions - This amount represents the County's proportionate share of the deferred outflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future periods and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred revenues - property taxes/unavailable revenue – property taxes - Deferred inflows of resources should be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before the period for which property taxes are levied.

Unavailable revenue – solid waste fees - When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Unavailable revenue – fines - When an asset is recorded in the governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Deferred inflows related to pensions - This amount represents the County's proportionate share of the deferred inflows of resources reported by the pension plan in which the County participates. See Note 11 for additional details.

#### J. Pensions.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System of Mississippi (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### K. Long-term Liabilities.

Long-term liabilities are the unmatured principal of bonds, loans, notes or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments.

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

#### L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as Net Position and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvement of those assets.

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Fund Financial Statements:

Fund balances for governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Government fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. The following are descriptions of fund classifications used by the County:

*Restricted fund balance* includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

*Unassigned fund balance* is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned or unassigned) resources are available, it is the County’s general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the County’s general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

M. Property Tax Revenues:

Numerous statutes exist under which the Board of Supervisors may levy property taxes. The selection of authorities is made based on the objectives and responsibilities of the County. Restrictions associated with property tax levies vary with the statutory authority. The amount of increase in certain property taxes is limited by state law. Generally, this restriction provides that these tax levies shall produce no more than 110% of the amount which resulted from the assessments of the previous year.

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

The Board of Supervisors, each year at a meeting in September, levies property taxes for the ensuing fiscal year which begins on October 1. Real property taxes become a lien on January 1 of the current year, and personal property taxes become a lien on March 1 of the current year. Taxes on both real and personal property, however, are due on or before February 1 of the next succeeding year. Taxes on motor vehicles and mobile homes become a lien and are due in the month that coincides with the month of original purchase.

Accounting principles generally accepted in the United States of America require property taxes to be recognized at the levy date if measurable and available. All property taxes are recognized as revenue in the year for which they are levied. Motor vehicle and mobile home taxes do not meet the measurability and collectibility criteria for property tax recognition because the lien and due date cannot be established until the date of original purchase occurs.

N. Intergovernmental Revenues in Governmental Funds.

Intergovernmental revenues, consisting of grants, entitlements and shared revenues, are usually recorded in Governmental Funds when measurable and available. However, the "available" criterion applies for certain federal grants and shared revenues when the expenditure is made because expenditure is the prime factor for determining eligibility. Similarly, if cost sharing or matching requirements exist, revenue recognition depends on compliance with these requirements.

O. Compensated Absences.

The County has adopted a policy of compensation for accumulated unpaid employee personal leave. No payment is authorized for accrued major medical leave. Accounting principles generally accepted in the United States of America require accrual of accumulated unpaid employee benefits as long-term liabilities in the government-wide financial statements. In fund financial statements, Governmental Funds report the compensated absence liability payable only if the payable has matured, for example an employee resigns or retires.

(2) Prior Period Adjustments.

A summary of the significant net position/fund balance adjustments are as follows:

Exhibit 2 – Statement of Activities – Governmental Activities.

<u>Explanation</u>	<u>Amount</u>
To correct prior year errors in investments.	\$ (606,514)
To correct prior year errors in capital assets, net.	18,082,101
To correct prior year errors in claims and judgments payable.	<u>369,060</u>
Total prior period adjustments	<u>\$ 17,844,647</u>

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

Exhibit 4 – Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

Explanation	Amount
To correct prior year errors in investments.	\$ <u>(606,514)</u>

Exhibit 6 – Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund.

Explanation	Amount
To correct prior year errors in claims and judgments payable.	\$ <u>369,060</u>

(3) Deposits and Investments.

Deposits:

The carrying amount of the County's total deposits with financial institutions at September 30, 2018, was \$54,720,924, and the bank balance was \$57,240,115. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC).

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of the failure of a financial institution, the County will not be able to recover deposits or collateral securities that are in the possession of an outside party. The County does not have a formal policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the County.

Investments:

Investments balances at September 30, 2018, are as follows:

Investment Type	Maturities	Fair Value Level	Fair Value	Rating
Collateralized mortgage obligations	More than 1 year	2	\$ 15,841,380	AA+ / Not rated
State and local obligations	More than 1 year	2	9,901,483	AA / Not rated
U.S. Treasury obligations	Less than 1 year	1	4,065,108	AAAm / Not rated
U.S. Government Agency obligations	More than 1 year	1	1,356,772	Not rated
Asset backed securities	More than 1 year	2	1,174,538	Not rated
Corporate bonds	More than 1 year	2	<u>495,835</u>	Aaa
Total			<u>\$ 32,835,116</u>	

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

Interest Rate Risk. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, Section 19-9-29, Miss. Code Ann. (1972) limits the maturity period of any investment to no more than one year.

Credit Risk. State law limits investments to those authorized by Sections 19-9-29 and 91-13-8, Miss. Code Ann. (1972). The County does not have a formal investment policy that would further limit its investments choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is the risk that in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The county does not have a formal policy for custodial credit risk. All of the County's investments were uninsured, unregistered, and held by the counterparty's trust department in the County's name.

Concentration of Credit Risk. The County places no limit on the amount the County may invest in any one issuer. More than 5 percent of the County's investments are in collateralized mortgage obligations, state and local bonds, and U.S. Treasury obligations. These investments are 90.79% of the County's total investments.

<u>Investment Type</u>	<u>Fund</u>	<u>Fair Value</u>	<u>Percentage of total investments</u>
Collateralized mortgage obligations	Various	\$ 15,841,380	48.25%
State and local obligations	Various	9,901,483	30.16%
U.S. Treasury obligations	Various	4,065,108	12.38%
Total		\$ <u>29,807,971</u>	<u>90.79%</u>

(4) Interfund Transactions and Balances.

The following is a summary of interfund balances at September 30, 2018:

A. Due From/To Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
County Unit Road Maintenance Fund	General Fund	\$ 400,514
County Unit Bridge and Culvert Fund	General Fund	84,567
Rankin County 2008 Bond and Interest Fund	General Fund	195,565
Other Governmental Funds	General Fund	270,732
Total		\$ <u>951,378</u>

The receivables represent the tax revenue collected in September, 2018, but not settled until October, 2018. All interfund balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Internal Service Fund	250,000
Courthouse Facility 2017 Bond Fund	General Fund	81,000
Internal Service Fund	General Fund	125,000
Total		\$ <u>456,000</u>

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

The principal purpose of interfund transfers was to provide funds for operating expenses or for the correction of prior year disbursements. All interfund transfers were routine and consistent with the activities of the fund making the transfer.

(5) Intergovernmental Receivables.

Intergovernmental receivables at September 30, 2018, consisted of the following:

<u>Description</u>	<u>Amount</u>
Governmental Activities:	
Legislative tax credit	\$ 1,149,156
Reimbursement for housing prisoners	143,776
High intensity drug trafficking grant reimbursement	11,592
Organized crime drug enforcement task force reimbursement	1,986
Justice assistance grant - drug court reimbursement	15,684
Emergency management performance grant reimbursement	104,290
Privilege tax	227,649
Refund on TIF ad valorem	66,279
Motor vehicle fuel tax	<u>32,884</u>
Total Governmental Activities	<u>\$ 1,753,296</u>

(6) Capital Assets.

The following is a summary of capital assets activity for the year ended September 30, 2018:

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

**Governmental activities:**

	Balance Oct. 1, 2017	Additions	Deletions	Adjustments*	Balance Sept. 30, 2018
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,907,816	2,239,610	3,327	(72,000)	5,072,099
Construction in progress	4,019,731	7,103,425		442,868	11,566,024
Total non-depreciable capital assets	<u>6,927,547</u>	<u>9,343,035</u>	<u>3,327</u>	<u>370,868</u>	<u>16,638,123</u>
<u>Depreciable capital assets: Infrastructure</u>					
Infrastructure	250,931,110	3,221,853		17,532,034	271,684,997
Buildings	74,780,226	150,000			74,930,226
Improvements other than buildings	2,039,118			8,232,387	10,271,505
Mobile equipment	16,645,181	1,956,678	1,924,558	(378,526)	16,298,775
Furniture and equipment	10,813,114	624,035	131,616	365,298	11,670,831
Leased property under capital leases	19,266,934	2,011,694	268,500	(8,176,610)	12,833,518
Total depreciable capital assets	<u>374,475,683</u>	<u>7,964,260</u>	<u>2,324,674</u>	<u>17,574,583</u>	<u>397,689,852</u>
<u>Less accumulated depreciation for:</u>					
Infrastructure	146,265,199	3,445,124			149,710,323
Buildings	28,685,000	1,483,545		1,842,902	32,011,447
Improvements other than buildings	1,333,264	355,282		2,123,955	3,812,501
Mobile equipment	10,228,707	1,402,500	932,135	250,316	10,949,388
Furniture and equipment	9,113,888	410,358	126,916	332,593	9,729,923
Leased property under capital leases	5,907,691	918,638	193,320	(4,686,416)	1,946,593
Total accumulated depreciation	<u>201,533,749</u>	<u>8,015,447</u>	<u>1,252,371</u>	<u>(136,650)</u>	<u>208,160,175</u>
Total depreciable capital assets, net	<u>172,941,934</u>	<u>(51,187)</u>	<u>1,072,303</u>	<u>17,711,233</u>	<u>189,529,677</u>
Governmental activities capital assets, net	<u>\$ 179,869,481</u>	<u>9,291,848</u>	<u>1,075,630</u>	<u>18,082,101</u>	<u>206,167,800</u>

\*Adjustments are for the reclassification of paid-off leases to improvements other than buildings, mobile equipment, and furniture and equipment. Other adjustments were made to correct prior year errors in capital assets, net.

Depreciation expense was charged to the following functions:

	Amount
<b>Governmental activities:</b>	
General government	\$ 1,397,310
Public safety	2,123,511
Public works	4,486,776
Culture and recreation	3,686
Conservation of natural resources	4,164
Total governmental activities depreciation expense	<u>\$ 8,015,447</u>

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

Commitments with respect to unfinished capital projects at September 30, 2018, consisted of the following:

Description of Commitment	Remaining Financial Commitment	Expected Date of Completion
Rankin County Road Maintenance Facility	\$ 1,122,341	May, 2019
Rankin County Courthouse	13,831,926	September, 2019
Rankin County Misdemeanor Facility	3,172,679	June, 2019
Pierce Road Fire Station	190,000	May, 2022
Andrew Jackson Circle	49,805	December, 2022
Andrew Chapel Road	3,953,550	December, 2022
Gunter Road	4,027,200	December, 2022
Hollybush Road	956,945	August, 2022
Spillway Road	337,796	October, 2022
Oak Grove Road	1,367,073	December, 2019
Florence/Byram Parkway	3,800,000	December, 2022
Monterey/Thomasville Road	438,800	December, 2022

As of September 30, 2018, the County had the following commitments:

On May 1, 2000, the Rankin County Board of Supervisors entered into an agreement with the City of Flowood to pledge to the City, for payment of a portion of the principal, interest, fees, and expenses of the bonds for the Dogwood Festival Market Project, the avails of the added incremental increase in county ad valorem taxes levied against the real and personal property constituting the project. County ad valorem taxes for school district purposes shall not be subject to the pledge of ad valorem taxes. The pledge of revenues is irrevocable until such time as the entirety of the principal, interest, fees, and expenses relating to the bonds are paid in full. In the event that there shall be surplus revenues on December 31, the surplus revenue shall be reimbursed to the City and County on a pro rata basis. This agreement was amended on January 1, 2015.

On October 1, 2003, the Rankin County Board of Supervisors entered into an agreement with the City of Flowood to pledge to the City, for payment of a portion of the principal, interest, fees, and expenses of the bonds for the Dogwood Promenade, the avails of the added incremental increase in county ad valorem taxes levied against the real and personal property constituting the project. County ad valorem taxes for school district purposes shall not be subject to the pledge of ad valorem taxes. The pledge of tax revenues is irrevocable until such as the entirety of the principal, interest, fees, and expenses relating to the bonds are paid in full.

On May 31, 2004, the Rankin County Board of Supervisors entered into an agreement with the City of Flowood to pledge to the City, for payment of a portion of the principal, interest, fees, and expenses of the bonds for the Lakeland Commons, the avails of the added incremental increase in county ad valorem taxes levied against the real and personal property constituting the project. County ad valorem taxes for school district purposes shall not be subject to the pledge of ad valorem taxes. The pledge of tax revenues is irrevocable until such time as the entirety of the principal, interest, fees, and expenses relating to the bonds are paid in full. This agreement was amended on January 1, 2015.

On December 6, 2004, the Rankin County Board of Supervisors entered into an agreement with the City of Pearl to pledge to the City, for a partial payment of a loan to the County to be used to purchase land for a baseball stadium, site work and parking lot construction. The amount pledged is \$320,000 a year for twenty years.

On November 13, 2009, the Rankin County Board of Supervisors entered into an agreement with the City of Flowood to pledge to the City, for payment of a portion of the principal, interest, fees, and expenses of the bonds for the East Wind project, the avails of the added incremental increase in county ad valorem taxes levied against the real and personal property constituting the project. County ad valorem taxes for school district purposes shall not be subject to the pledge of ad valorem taxes. The pledge of tax revenues is irrevocable until such time as the entirety of the principal, interest, fees, and expenses relating to the bonds are paid in full.

## RANKIN COUNTY

### Notes to Financial Statements For the Year Ended September 30, 2018

On December 5, 2009, the Rankin County Board of Supervisors entered into an agreement with the City of Flowood to pledge to the City, for payment of a portion of the principal, interest, fees, and expenses of the bonds for the Market Street Flowood project, the avails of the added incremental increase in county ad valorem taxes levied against the real and personal property constituting the project. County ad valorem taxes for school district purposes shall not be subject to the pledge of ad valorem taxes. The pledge of tax revenues is irrevocable until such time as the entirety of the principal, interest, fees, and expenses relating to the bonds are paid in full.

On September 7, 2004, the Rankin County Board of Supervisors entered into an agreement with the City of Pearl to pledge to the City for a portion of the costs to construct a conference center and full service hotel by means of a public/private partnership whereby the City will own the conference center and the hotel will be privately owned. The costs to construct the conference center and hotel will be financed by bonds issued by the City, the debt service of which will be paid by certain tax revenues of the City and the pledge provided by the County. The amount pledged is \$250,000 a year for twenty years.

#### (7) Claims and Judgments.

##### Risk Financing.

The County finances its exposure to risk of loss related to workers' compensation for injuries to its employees through the Mississippi Public Entity Workers' Compensation Trust, a public entity risk pool. The County pays premiums to the pool for its workers' compensation insurance coverage, and the participation agreement provides that the pool will be self-sustaining through member premiums. The retention for the pool is \$1,000,000 for each accident and completely covers statutory limits set by the Workers' Compensation Commission. Risk of loss is remote for claims exceeding the pool's retention liability. However, the pool also has catastrophic reinsurance coverage for statutory limits above the pool's retention, provided by Safety National Casualty Corporation, effective from January 1, 2018, to January 1, 2019. The pool may make an overall supplemental assessment or declare a refund depending on the loss experience of all the entities it insures.

The County is exposed to risk of loss relating to employee health, accident and dental coverage. Beginning in 2004 and pursuant to Section 25-15-101, Miss. Code Ann. (1972), the County established a risk management fund (included as an Internal Service Fund) to account for and finance its uninsured risk of loss. The Rankin County Board of Supervisors has extended coverage to the employees of the following public entities:

- Rankin First
- Rankin County Human Resource Agency
- Cleary Water, Sewer and Fire Protection District
- USDA Soil and Water Conservation, Rankin County District

Under the plan, amounts payable to the risk management fund are based on actuarial estimates. Each participating entity pays the premium on a single coverage policy for its employees. Employees desiring additional and/or dependent coverage pay the additional premium through a payroll deduction. Premium payments to the risk management fund are determined on an actuarial basis. The County has minimum uninsured risk retention for the County, to the extent that actual claims submitted exceed the predetermined premium. The County has implemented the following plans to minimize this potential loss:

The County has purchased coinsurance which functions on two separate stop loss coverages: specific and aggregate. These coverages are purchased from an outside commercial carrier. For the current fiscal year, the specific coverage begins when an individual participant's claim exceeds \$100,000, and the aggregate policy covers all submitted claims in excess of \$1,000,000.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). At September 30, 2018, the amount of these liabilities was \$119,887. An analysis of claims activities is presented below:

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2016 - 2017	\$ 507,428	5,985,106	(6,008,630)	483,904
2017 - 2018	\$ 483,904	3,822,796	(4,186,813)	119,887

(8) Operating Leases.

As Lessor:

On December 18, 1996, Rankin County entered into an operating lease with Health Management Associates, Inc. (Merit Health Rankin) for the lease of certain property formerly known as the Rankin Medical Center in Brandon, Mississippi. The primary operating lease which stipulated that the lessee, Health Management Associates, Inc. (Merit Health Rankin), would pay approximately \$140,000 per year in lease payments commencing January 1, 1997 for a term of 30 years.

The County receives income from property it leases under noncancellable operating leases. Total income from such leases was \$140,000 for the year ended September 30, 2018. The future minimum lease receivables for these leases are as follows:

<u>Year Ending September 30</u>	<u>Amount</u>
2019	\$ 140,000
2020	140,000
2021	140,000
2022	140,000
2023	140,000
2024 - 2028	<u>420,000</u>
Total Minimum Payments Required	<u>\$ 1,120,000</u>

(9) Capital Leases.

As Lessee:

The County is obligated for the following capital assets acquired through capital leases as of September 30, 2018:

<u>Classes of Property</u>	<u>Governmental Activities</u>
Mobile equipment	\$ 3,723,766
Furniture and equipment	<u>9,109,752</u>
Total	12,833,518
Less: Accumulated depreciation	<u>(1,946,593)</u>
Leased Property Under Capital Leases	<u>\$ 10,886,925</u>

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

The following is a schedule by years of the total payments due as of September 30, 2018:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,043,390	139,043
2020	1,471,670	114,010
2021	1,277,694	80,063
2022	578,444	49,911
2023	642,659	32,337
2024 - 2028	<u>864,750</u>	<u>31,777</u>
Total	\$ <u>5,878,607</u>	<u>447,141</u>

(10) Other Postemployment Benefits.

Plan Description

The Rankin County Board of Supervisors administers the County’s health insurance plan which is authorized by Sections 25-15-101 et seq., Mississippi Code Ann. (1972). The County’s health insurance plan may be amended by the Rankin County Board of Supervisors. The County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage through the County’s health insurance plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement 75 as a single employer defined benefit health care plan. The County does not issue a publicly available financial report for the Plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures which are required by accounting principles generally accepted in the United States of America.

(11) Defined Benefit Pension Plan.

*General Information about the Pension Plan*

Plan Description. Rankin County, Mississippi contributes to the Public Employees’ Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees’ authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees’ Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity’s participation in PERS by the PERS’ Board of Trustees. If approved, membership for the entity’s employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less.



RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

Year ending September 30		Amount
2019	\$	1,492,520
2020		617,371
2021		(5,002)
2022		(231,174)
Total	\$	<u>1,873,715</u>

Actuarial Assumptions. The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.00 percent
Salary increases	3.25 – 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2022, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2012 to June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	27.00 %	4.60 %
International Equity	18.00	4.50
Emerging Markets Equity	4.00	4.75
Global	12.00	4.75
Fixed Income	18.00	0.75
Real Estate	10.00	3.50
Private Equity	8.00	5.10
Emerging Debt	2.00	2.25
Cash	<u>1.00</u>	0.00
Total	<u>100.00 %</u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

(15.75%). Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity to the County’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the County’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
County's proportionate share of the net pension liability	\$ 67,685,891	51,405,195	37,873,787

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued PERS financial report.

(12) Long-term Debt.

Debt outstanding as of September 30, 2018, consisted of the following:

<u>Description and Purpose</u>	<u>Amount Outstanding</u>	<u>Interest Rate</u>	<u>Final Maturity Date</u>
<b>Governmental Activities:</b>			
A. General Obligation Bonds:			
2009 GO Bond	\$ 9,450,000	3.50/3.875%	06/2022
2008 Special Obligation Bond	4,910,000	3.78%	12/2023
2005 Series 2005 A	8,455,000	2.80/4.00%	07/2020
2012 Refunding	4,650,000	2.00%	09/2021
2013 Refunding	25,000,000	2.00/3.10%	12/2023
2017 GO Bond	765,000	3.00/5.00%	03/2032
Total General Obligation Bonds	<u>\$ 53,230,000</u>		
B. Limited Obligation Bonds:			
Series 2014 A	\$ 835,000	3.30%	12/2029
Series 2014 B	2,700,000	4.50%	12/2029
Total Limited Obligation Bonds	<u>\$ 3,535,000</u>		

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

Description and Purpose	Amount Outstanding	Interest Rate	Final Maturity Date
<b>Governmental Activities:</b>			
C. Capital Leases:			
911 equipment	\$ 2,852,713	2.44%	03/2025
(3) 2018 Mack dump trucks	292,620	1.91%	07/2020
(3) 2018 Mack dump trucks	195,080	1.91%	07/2020
Leeboy 8500 asphalt paver	103,283	2.11%	08/2020
Leeboy Rosco RA400	150,561	2.05%	04/2021
John Deere 6105E tractors	156,309	1.88%	04/2021
(2) John Deere motor graders	149,350	1.83%	04/2019
(3) Caterpillar backhoe loaders 430F2	313,024	2.83%	07/2020
(3) Caterpillar backhoe loaders 430F2	313,024	2.83%	07/2020
Caterpillar 930M rubber tire loader	167,108	2.84%	11/2022
Caterpillar 325F LCR hydraulic excavator	201,815	2.68%	03/2022
(3) Mack dump trucks GR64F	412,735	2.83%	07/2021
(3) Mack dump trucks GR64F	412,735	2.83%	07/2021
Caterpillar 930M rubber tire loader	158,250	2.84%	10/2022
Total Capital Leases	<u>\$ 5,878,607</u>		
D. Other Loans:			
(3) Case backhoes	\$ 167,691	1.54%	07/2020
(3) Case backhoes	170,305	1.54%	08/2020
Total Other Loans	<u>\$ 337,996</u>		

Annual debt service requirements to maturity for the following debt reported in the Statement of Net Position are as follows:

**Governmental Activities:**

Year Ending September 30	General Obligation Bonds		Limited Obligation Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 6,030,000	2,189,690	235,000	144,128
2020	6,170,000	1,987,631	240,000	134,160
2021	6,125,000	1,748,863	250,000	123,855
2022	4,650,000	1,519,712	265,000	113,018
2023	5,555,000	1,299,325	275,000	101,648
2024 - 2028	14,300,000	4,187,500	1,550,000	321,345
2029 - 2033	10,400,000	1,040,000	720,000	30,840
Total	<u>\$ 53,230,000</u>	<u>13,972,721</u>	<u>3,535,000</u>	<u>968,994</u>
<b>Other Loans</b>				
Year Ending September 30	Principal		Interest	
2019	\$ 115,386		4,466	
2020	222,610		2,445	
Total	<u>\$ 337,996</u>		<u>6,911</u>	

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

Legal Debt Margin - The amount of debt, excluding specific exempted debt that can be incurred by the County is limited by state statute. Total outstanding debt during a year can be no greater than 15% of assessed value of the taxable property within the County, according to the then last completed assessment for taxation. However, the limitation is increased to 20% whenever a county issues bonds to repair or replace washed out or collapsed bridges on the public roads of the County. As of September 30, 2018, the amount of outstanding debt was equal to 3.23% of the latest property assessments.

Prior Year Defeasance of Debt - In prior years, the County defeased certain general obligation bonds by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. On September 30, 2018, \$7,700,000 of bonds outstanding were considered defeased.

The following is a summary of changes in long-term liabilities and obligations for the year ended September 30, 2018:

	Balance Oct. 1, 2017	Additions	Reductions	Adjustments *	Balance Sept. 30, 2018	Amount due within one year
<b>Governmental Activities:</b>						
Compensated absences	\$ 1,109,123	345,523			1,454,646	
General obligation bonds	58,695,000		5,465,000		53,230,000	6,030,000
Less:						
Discounts	(74,662)		(13,945)		(60,717)	
Add:						
Premiums	4,624,132		409,100		4,215,032	
Limited obligation bonds	3,755,000		220,000		3,535,000	235,000
Capital leases	5,704,918	2,021,422	1,396,041	(451,692)	5,878,607	1,043,390
Other loans	16,631		130,327	451,692	337,996	115,386
Total	\$ 73,830,142	2,366,945	7,606,523	0	68,590,564	7,423,776

\*Adjustments are for the reclassification of capital leases to other loans.

Compensated absences will be paid from the fund from which the employees' salaries were paid, which are generally the General Fund, Emergency Management Fund, Volunteer Fire Fund, Road Maintenance Fund, the Bridge and Culvert Fund, and the Solid Waste Fund.

(13) Deficit Fund Balances of Individual Funds.

The following fund reported a deficit in fund balance at September 30, 2018:

Fund	Deficit Amount
Garbage and Solid Waste Fund	\$ 74,316

(14) Contingencies.

Federal Grants - The County has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a grantor audit may become a liability of the County. No provision for any liability that may result has been recognized in the County's financial statements.

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

Litigation - The County is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate ultimate outcome or liability, if any, of the County with respect to the various proceedings. However, the County's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the County.

(15) Effect of Deferred Amounts on Net Position.

The governmental activities' unrestricted net position amount of (\$23,212,856) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflows of resources related to pensions in the amount of \$722,719 resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. The \$3,373,482 balance of the deferred outflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next three years. The \$1,499,767 balance of the deferred inflows of resources related to pensions at September 30, 2018, will be recognized in pension expense over the next four years.

(16) Joint Venture.

The County participates in the following joint venture:

Rankin County is a participant with Scott, Simpson and Smith Counties in a joint venture authorized by Section 39-3-9, Miss. Code Ann. (1972), to operate the Central Mississippi Regional Library System. The joint venture was created to provide library services to the public and is governed by a five-member board of which two members are appointed by Rankin County and one member each from the other three counties. By contractual agreement, the County's appropriation to the joint venture was \$1,726,000 in fiscal year 2018. Complete financial statements for the Central Mississippi Regional Library System can be obtained from 3470 Hwy 80 East, Pearl, MS 39208.

(17) Jointly Governed Organizations.

The County participates in the following jointly governed organizations:

Central Mississippi Emergency Medical Services District operates in a district composed of the Counties of Attala, Clarke, Copiah, Holmes, Lauderdale, Leake, Madison, Neshoba, Rankin, Scott, Smith, Warren and Yazoo. The Rankin County Board of Supervisors appoints two of the 26 members of the board. The County provided no financial support in fiscal year 2018.

Central Mississippi Planning and Development District operates in a district composed of the Counties of Copiah, Hinds, Madison, Rankin, Warren and Yazoo. The Rankin County Board of Supervisors appoints three of the 33 members of the board of directors. The County appropriated \$36,521 for support of the district in fiscal year 2018.

East Central Community Action Agency, Inc. operates in a district composed of the Counties of Leake, Neshoba, Rankin, Scott and Smith. The Rankin County Board of Supervisors appoints two of the 30 board members. The County provides a modest amount of support when matching funds are required for federal grants. The County provided no support for the district in fiscal year 2018.

Hinds Community College operates in a district composed of the Counties of Claiborne, Copiah, Hinds, Rankin and Warren. The Rankin County Board of Supervisors appoints one of the 15 members of the college board of trustees. The County appropriated \$3,999,299 for maintenance and improvements of the college, \$800,000 for the robotics lab, and \$2,799,469 for the Vo-Tech in fiscal year 2018.

Region Eight Mental Health Commission operates in a district composed of the Counties of Copiah, Madison, Rankin and Simpson. The Rankin County Board of Supervisors appoints one member of the board of commissioners. The County appropriated \$337,000 for support of the commission in fiscal year 2018.

RANKIN COUNTY

Notes to Financial Statements  
For the Year Ended September 30, 2018

(18) Tax Abatements.

As of September 30, 2018, Rankin County provides tax exempt status to a recycling company, a communications company, two wholesale companies and several manufacturing companies subject to the requirements of GASB Statement No. 77. These companies are exempt from real property taxes and personal property taxes except for the levies involving the school; the mandatory mill and the community college tax levies. These exemptions are authorized under Sections 27-31-101 and 27-31-105 of the Miss. Code Ann. (1972). These exemptions encourage businesses to locate or expand operations in the County and to create jobs. The amount of taxes abated during fiscal year 2018 totaled \$1,128,695.

(19) Subsequent Events.

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of Rankin County evaluated the activity of the County through September 24, 2019, and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

Subsequent to September 30, 2018, the County issued the following debt obligations:

<u>Issue Date</u>	<u>Interest Rate</u>	<u>Issue Amount</u>	<u>Type of Financing</u>	<u>Source of Financing</u>
06/18/2018	3.14%	\$ 1,250,000	Promissory note	Ad valorem taxes
01/15/2019	3.17%	388,415	Capital lease	Ad valorem taxes
04/15/2019	3.02%	233,671	Capital lease	Ad valorem taxes
08/01/2019	3.00/5.00%	27,000,000	General Obligation Bond	Ad valorem taxes

The County was named as a defendant in a lawsuit seeking a refund of ad valorem taxes assessed for an industrial plant facility located within the county. This matter was resolved in early 2019 through a settlement, which resulted in a refund to the taxpayer of approximately \$150,000 over a five year period.

The county was named as a defendant in a lawsuit alleging fault on the County for failing to maintain drainage infrastructure located within a residential subdivision. The parties involved reached a settlement of all matters in dispute and the County has undertaken repair of the residential subdivision's drainage infrastructure. The total costs associated with the repair of the specified drainage infrastructure are estimated to be \$566,370. The County will have no continuing obligation to maintain or repair the drainage infrastructure once all repairs are completed.

RANKIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

RANKIN COUNTY

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RANKIN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 General Fund  
 For the Year Ended September 30, 2018  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 26,086,400	25,994,607	25,994,607	
Licenses, commissions and other revenue	3,043,125	3,196,958	3,196,958	
Fines and forfeitures	900,000	1,457,916	1,457,916	
Intergovernmental revenues	5,127,500	4,840,963	4,840,963	
Charges for services	1,246,000	1,141,285	1,141,285	
Interest income	300,000	142,089	142,089	
Miscellaneous revenues	1,296,500	1,835,146	1,835,146	
Total Revenues	<u>37,999,525</u>	<u>38,608,964</u>	<u>38,608,964</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
General government	16,177,788	15,829,397	15,829,397	
Public safety	20,455,227	20,309,918	20,309,918	
Health and welfare	1,272,807	1,274,687	1,274,687	
Culture and recreation	40,800	62,250	62,250	
Conservation of natural resources	489,727	422,564	422,564	
Economic development and assistance	60,326	55,446	55,446	
Debt service:				
Principal		250,000	250,000	
Interest		81,197	81,197	
Total Expenditures	<u>38,496,675</u>	<u>38,285,459</u>	<u>38,285,459</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(497,150)</u>	<u>323,505</u>	<u>323,505</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		76,325	76,325	
Transfers in	1,500,000	1,742,232	1,742,232	
Transfers out	(1,550,000)	(1,604,844)	(1,604,844)	
Total Other Financing Sources and Uses	<u>(50,000)</u>	<u>213,713</u>	<u>213,713</u>	<u>0</u>
Net Change in Fund Balance	(547,150)	537,218	537,218	0
Fund Balances - Beginning	<u>23,972,500</u>	<u>23,649,445</u>	<u>23,649,445</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 23,425,350</u>	<u>24,186,663</u>	<u>24,186,663</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

RANKIN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 County Unit Road Maintenance Fund  
 For the Year Ended September 30, 2018  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 8,007,750	8,118,389	8,118,389	
Road and bridge privilege taxes	2,110,000	2,163,141	2,163,141	
Licenses, commissions and other revenue	2,500	3,256	3,256	
Intergovernmental revenues	1,345,000	1,426,527	1,426,527	
Interest income	156,000	20,850	20,850	
Miscellaneous revenues	20,000	40,747	40,747	
Total Revenues	<u>11,641,250</u>	<u>11,772,910</u>	<u>11,772,910</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	12,837,500	15,560,846	15,560,846	
Debt service:				
Principal	1,285,932	1,165,491	1,165,491	
Interest		81,092	81,092	
Total Expenditures	<u>14,123,432</u>	<u>16,807,429</u>	<u>16,807,429</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(2,482,182)</u>	<u>(5,034,519)</u>	<u>(5,034,519)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		556,778	556,778	
Other financing sources	200,000			
Total Other Financing Sources and Uses	<u>200,000</u>	<u>556,778</u>	<u>556,778</u>	<u>0</u>
Net Change in Fund Balance	(2,282,182)	(4,477,741)	(4,477,741)	0
Fund Balances - Beginning	<u>22,000,000</u>	<u>20,282,944</u>	<u>20,282,944</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 19,717,818</u>	<u>15,805,203</u>	<u>15,805,203</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

RANKIN COUNTY  
 Budgetary Comparison Schedule -  
 Budget and Actual (Non-GAAP Basis)  
 County Unit Bridge and Culvert Fund  
 For the Year Ended September 30, 2018  
 UNAUDITED

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,005,850	2,982,412	2,982,412	
Licenses, commissions and other revenue	700	843	843	
Intergovernmental revenues	40,000	36,210	36,210	
Interest income	200,000	17,315	17,315	
Miscellaneous revenues		1,650	1,650	
Total Revenues	<u>3,246,550</u>	<u>3,038,430</u>	<u>3,038,430</u>	<u>0</u>
<b>EXPENDITURES</b>				
Current:				
Public works	3,758,549	3,663,021	3,663,021	
Debt service:				
Principal	496,270	456,466	456,466	
Interest		18,505	18,505	
Total Expenditures	<u>4,254,819</u>	<u>4,137,992</u>	<u>4,137,992</u>	<u>0</u>
Excess of Revenues over (under) Expenditures	<u>(1,008,269)</u>	<u>(1,099,562)</u>	<u>(1,099,562)</u>	<u>0</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of capital assets		476,770	476,770	
Other financing sources	280,000			
Total Other Financing Sources and Uses	<u>280,000</u>	<u>476,770</u>	<u>476,770</u>	<u>0</u>
Net Change in Fund Balance	(728,269)	(622,792)	(622,792)	0
Fund Balances - Beginning	<u>11,500,000</u>	<u>11,129,853</u>	<u>11,129,853</u>	<u>0</u>
Fund Balances - Ending	<u>\$ 10,771,731</u>	<u>10,507,061</u>	<u>10,507,061</u>	<u>0</u>

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

RANKIN COUNTY  
Schedule of the County's Proportionate Share of the Net Pension Liability  
Last 10 Fiscal Years\*  
For the Year Ended September 30, 2018  
UNAUDITED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
County's proportion of the net pension liability (asset)	0.309056%	0.300000%	0.280000%	0.280000%
County's proportionate share of the net pension liability (asset)	\$ 51,405,195	49,870,182	50,014,992	43,282,478
Covered payroll	\$ 19,736,159	19,144,540	18,271,327	17,701,963
County's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	260.46%	260.49%	273.73%	244.50%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%

\* The amounts presented for each fiscal year were determined as of the twelve months ended at the measurement date of June 30 of the fiscal year presented. This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

RANKIN COUNTY  
 Schedule of County Contributions  
 Last 10 Fiscal Years\*  
 For the Year Ended September 30, 2018  
 UNAUDITED

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 3,128,346	3,015,265	2,877,734	2,788,056
Contributions in relation to the contractually required contribution	<u>3,128,346</u>	<u>3,015,265</u>	<u>2,877,734</u>	<u>2,788,056</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 19,862,513	19,144,540	18,271,327	17,701,943
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	15.75%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB Statement No. 68 was implemented for the fiscal year ended September 30, 2015, and, until, a full 10 year trend is compiled, the County has only presented information for the years in which information is available.

The accompanying notes to the Required Supplementary Information are an integral part of this schedule.

RANKIN COUNTY

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RANKIN COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

RANKIN COUNTY

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RANKIN COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2018  
UNAUDITED

A. Budgetary Information.

Statutory requirements dictate how and when the County’s budget is to be prepared. Generally, in the month of August, prior to the ensuing fiscal year beginning each October 1, the Board of Supervisors of the County, using historical and anticipated fiscal data and proposed budgets submitted by the Sheriff and the Tax Assessor and Tax Collector-for his or her respective department, prepares an original budget for each of the Governmental Funds for said fiscal year. The completed budget for the fiscal year includes for each fund every source of revenue, each general item of expenditure, and the unencumbered cash and investment balances. When during the fiscal year it appears to the Board of Supervisors that budgetary estimates will not be met, it may make revisions to the budget.

The County’s budget is prepared principally on the cash basis of accounting. All appropriations lapse at year end, and there are no encumbrances to budget because state law does not require that funds be available when goods or services are ordered, only when payment is made.

B. Basis of Presentation.

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) presents the original legally adopted budget, the final legally adopted budget, actual amounts on a budgetary (Non-GAAP Basis) and variances between the final budget and the actual amounts. The schedule is presented for the General Fund and each major Special Revenue Fund. The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) is a part of required supplemental information.

C. Budget/GAAP Reconciliation.

The major differences between the budgetary basis and the GAAP basis are:

1. Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

The following schedule reconciles the budgetary basis schedules to the GAAP basis financial statements for the General Fund and each major Special Revenue Fund:

	<u>Governmental Fund Types</u>		
	<u>General Fund</u>	<u>County Unit Road Fund</u>	<u>County Unit Bridge and Fund</u>
Budget (Cash Basis)	\$ 537,218	(4,477,741)	(622,792)
Increase (Decrease)			
Net adjustments for revenue accruals	954,419	4,358,066	1,348,804
Net adjustments for expenditure accruals	<u>(751,981)</u>	<u>(4,013,132)</u>	<u>(1,270,042)</u>
GAAP Basis	<u>\$ 739,656</u>	<u>(4,132,807)</u>	<u>(544,030)</u>

RANKIN COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2018  
UNAUDITED

Pension Schedules

A. Changes of assumptions.

2015

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022 rather than projected with Scale BB to 2016, which was used prior to 2017. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumptions was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6.00% to 7.00%.

B. Changes in benefit provisions.

2016

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

RANKIN COUNTY

Notes to the Required Supplementary Information  
For the Year Ended September 30, 2018  
UNAUDITED

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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RANKIN COUNTY

SUPPLEMENTARY INFORMATION

RANKIN COUNTY

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RANKIN COUNTY  
Reconciliation of Operating Costs of Solid Waste  
For the Year Ended September 30, 2018

Operating Expenditures, Cash Basis:

Salaries	\$	130,073
Office, field and shop supplies		1,347
Solid waste disposal fee		4,717,015
Professional fees, legal advertising and other fees		14,609
Postage and box rent		22,648
Telephone and utilities		<u>205</u>
Solid Waste Cash Basis Operating Expenditures		4,885,897
Full Cost Expenses:		
Indirect administrative costs		<u>318,227</u>
Solid Waste Full Cost Operating Expenses	\$	<u><u>5,204,124</u></u>

RANKIN COUNTY

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RANKIN COUNTY

OTHER INFORMATION

RANKIN COUNTY

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RANKIN COUNTY  
Schedule of Surety Bonds for County Officials  
For the Year Ended September 30, 2018  
UNAUDITED

Name	Position	Company	Bond
Jared Morrison	Supervisor District 1	Western Surety	\$ 200,000
Daniel Cross	Supervisor District 2	Western Surety	200,000
Robert Morrow	Supervisor District 3	Western Surety	200,000
Steve Gaines	Supervisor District 4	Western Surety	200,000
Jay Bishop	Supervisor District 5	Western Surety	200,000
Larry Swales	Chancery Clerk	RLI	100,000
Laura Oster	County Administrator	Western Surety	100,000
Bridgette Herring	Purchase Clerk	Western Surety	75,000
Katie Burkett	Assistant Purchase Clerk	Western Surety	50,000
Ann Bowman	Receiving Clerk	Western Surety	75,000
Blanket Bond	Assistant Receiving Clerks (27)	Western Surety	10,000
Michelle Denham	Inventory Control Clerk	Western Surety	50,000
Mike Harrison	Road Manager	Western Surety	50,000
Robert Hancock	Constable	Western Surety	50,000
Brad Patridge	Constable	Western Surety	50,000
Barry Bean	Constable	Western Surety	50,000
Gary Windham	Constable	Western Surety	50,000
Rebecca Boyd	Circuit Clerk	Western Surety	100,000
Blanket Bond	Deputy Circuit Clerks (10)	Western Surety	50,000
Bryan Bailey	Sheriff	Western Surety	100,000
Richard Redfern	Justice Court Judge	Western Surety	50,000
Ken Fairly	Justice Court Judge	Western Surety	50,000
Joshua Mccrory	Justice Court Judge	Western Surety	50,000
John Shirley	Justice Court Judge	Western Surety	50,000
Blanket Bond	Justice Court Clerk and Deputy Justice Court Clerks (7)	Western Surety	50,000
Judy Fortenberry	Tax Collector	Western Surety	100,000
Blanket Bond	Deputy Tax Collectors (21)	Western Surety	50,000
John Sullivan	Tax Assessor	Western Surety	50,000
Blanket Bond	Deputy Tax Assessors (16)	Western Surety	10,000

RANKIN COUNTY

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RANKIN COUNTY

SPECIAL REPORTS

RANKIN COUNTY

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**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
AUDITOR

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Supervisors  
Rankin County, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Rankin County, Mississippi (the County), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 24, 2019. Our report includes an adverse opinion on the aggregate discretely presented component units due to the omission of the discretely presented component units which are required by accounting principles generally accepted in the United States of America to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data for its component units. The report is also qualified on the governmental activities because the County did not record a liability or current year expense for other postemployment benefits as required by accounting principles generally accepted in the United States of America. Additionally, our report includes a qualified opinion on the General Fund because the County did not maintain and preserve adequate subsidiary records documenting the existence and valuation of the Justice Court fines receivable, net, and the aging of these receivables at September 30, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Rankin County, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rankin County, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as 2018-001, 2018-002, 2018-003 and 2018-004 that we consider to be material weaknesses.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Rankin County, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to the management of Rankin County, Mississippi, in the Independent Accountant's Report on Central Purchasing System, Inventory Control System and Purchase Clerk Schedules and the Limited Internal Control and Compliance Review Management Report dated September 24, 2019, included within this document.

## **Rankin County's Responses to Findings**

Rankin County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. Rankin County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA  
Director, County Audit Section

September 24, 2019



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
AUDITOR

INDEPENDENT ACCOUNTANT'S REPORT ON CENTRAL PURCHASING SYSTEM,  
INVENTORY CONTROL SYSTEM AND PURCHASE CLERK SCHEDULES  
(REQUIRED BY SECTION 31-7-115, MISS. CODE ANN. (1972))

Members of the Board of Supervisors  
Rankin County, Mississippi

We have examined Rankin County, Mississippi's (the County) compliance with establishing and maintaining a central purchasing system and inventory control system in accordance with Sections 31-7-101 through 31-7-127, Miss. Code Ann. (1972) and compliance with the purchasing requirements in accordance with bid requirements of Section 31-7-13, Miss. Code Ann. (1972) during the year ended September 30, 2018. The Board of Supervisors of Rankin County, Mississippi is responsible for the County's compliance with those requirements. Our responsibility is to express an opinion on the County's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the County's compliance with specified requirements. The Board of Supervisors of Rankin County, Mississippi, has established centralized purchasing for all funds of the County and has established an inventory control system. The objective of the central purchasing system is to provide reasonable, but not absolute, assurance that purchases are executed in accordance with state law.

Because of inherent limitations in any central purchasing system and inventory control system, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

The results of our audit procedures disclosed certain instances of noncompliance with the aforementioned code sections. These instances of noncompliance were considered in forming our opinion on compliance. Our findings and recommendations and your responses are disclosed below:

**Receiving Clerk and Assistant Receiving Clerks.**

1. Assistant Receiving Clerks should be bonded as required by state statute.

**Repeat Finding** No

**Criteria** Section 31-7-124, Miss. Code Ann. (1972), requires Assistant Receiving Clerks to execute a bond in a penalty not less than \$50,000, to be payable, conditioned and approved as provided by law. In addition, Section 25-1-15(2), requires a new bond every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.

**Condition** The County has thirty (30) Assistant Receiving Clerks, in which twenty-seven (27) are bonded for an indefinite time period under a blanket bond for \$10,000. Three (3) of the Assistant Receiving Clerks are not covered under this blanket bond.

**Cause** The County did not comply with state laws.

**Effect** Failure to comply with state statutes would limit the amount available for recovery if a loss occurred over multiple terms.

**Recommendation** The County should cancel the blanket bond and obtain individual bonds for the Assistant Receiving Clerks in the amount of \$50,000 for a period of time concurrent with the normal election cycle of the Governor or with the normal election cycle of the local government applicable to the employee. The County should implement additional procedures to sure the Assistant Receiving Clerks are bonded, as required by law.

**Views of Responsible Official(s)** The thirty Assistant Receiving Clerks are now correctly bonded in the amount of \$50,000 for the period of time through 12/31/19, concurrent with the normal local government election cycle. This is in compliance with Section 31-7-124 and Section 25-1-15(2).

**Inventory Control Clerk.**

2. The Inventory Control Clerk should be bonded as required by state statute.

**Repeat Finding** No

**Criteria** Section 31-7-124, Miss. Code Ann. (1972), requires each Inventory Control Clerk to execute a bond for \$75,000, to be payable, conditioned and approved, as provided by law.

**Condition** The Inventory Control Clerk was only bonded for \$50,000 during fiscal year 2018.

**Cause** The County did not comply with state law.

**Effect** Failure to comply with state law would limit the amount available for recovery if a loss occurred.

**Recommendation** The County should implement procedures to ensure the Inventory Control Clerk is bonded, as required by law.

**Views of Responsible Official(s)** The Inventory Control Clerk is now correctly bonded in the amount of \$75,000 in compliance with Section 31-7-124 effective 6/10/19.

**Inventory Control Clerk.**

3. The Inventory Control Clerk should maintain an inventory control system.

**Repeat Finding** No

**Criteria** Section 31-7-107, Miss. Code Ann. (1972), requires the Inventory Control Clerk to maintain an inventory control system. Adequate controls over capital asset subsidiary records should include proper recording of capital assets additions and the proper classification of assets.

**Condition** During our audit of capital assets, we noted \$20,382,623 in construction in progress, infrastructure, and other assets that were not properly recorded in the capital asset subsidiary records. We also noted some assets were not appropriately classified for capitalization purposes within the inventory control system.

<b>Cause</b>	These errors in the capital asset records were caused by failure to implement internal control procedures to ensure that all items are recorded, valued properly and classified properly in the County's capital asset records.
<b>Effect</b>	Failure to maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.
<b>Recommendation</b>	The Inventory Control Clerk should implement appropriate control procedures to ensure that all capital assets are recorded, valued properly and classified properly in the County's capital asset records.
<b>Views of Responsible Official(s)</b>	Measures and controls are in place to aid the Inventory Control Clerk in ensuring that all capital assets are properly recorded in the County's inventory system.

In our opinion, except for the noncompliance referred to in the preceding paragraph, Rankin County, Mississippi, complied, in all material respects, with state laws governing central purchasing, inventory and bid requirements for the year ended September 30, 2018.

The accompanying schedules of (1) Purchases Not Made from the Lowest Bidder, (2) Emergency Purchases and (3) Purchases Made Noncompetitively from a Sole Source are presented in accordance with Section 31-7-115, Miss. Code Ann. (1972). The information contained on these schedules has been subjected to procedures performed in connection with our aforementioned examination and, in our opinion, is fairly presented in relation to that examination.

Rankin County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended for use in evaluating Rankin County, Mississippi's compliance with the aforementioned requirements, and is not intended to be and should not be relied upon for any other purpose. However, this report is a matter of public record and its distribution is not limited.



JOE E. MCKNIGHT, CPA  
 Director, County Audit Section

September 24, 2019

RANKIN COUNTY

Schedule of Purchases From Other Than the Lowest Bidder  
 For the Year Ended September 30, 2018

Schedule 1

<u>Date</u>	<u>Item Purchased</u>	<u>Bid Accepted</u>	<u>Vendor</u>	<u>Lowest Bid</u>	<u>Reason for Accepting Other Than the Lowest Bid</u>
12/15/2017	Hydraulic excavator	\$ 210,787	Puckett Machinery	\$ 193,026	Did not meet specifications
02/20/2018	Six dump trucks	835,008	Tri-State Truck Center	699,325	Did not meet specifications

RANKIN COUNTY  
 Schedule of Emergency Purchases  
 For the Year Ended September 30, 2018

Schedule 2

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>	<u>Reason for Emergency Purchase</u>
12/11/2017	Chains & cable ties	\$ 1,790	Fastenal Company	Inclement weather
12/11/2017	Barricade light & battery	744	Road-Pro Safety, Inc.	Inclement weather
12/11/2017	Reflective vests	251	ESI Supply, LLC	Inclement weather
12/11/2017	Bar oil	123	Dutch Lubricants, LLC	Inclement weather
12/11/2017	4 Pallets of salt	1,362	Rankin County Cooperative	Inclement weather
12/11/2017	Electric heater	60	Gilmore Bros Building Supply	Inclement weather
12/11/2017	Refill propane bottles	60	Great Southern Shell	Inclement weather
01/18/2018	1 Pallet of salt	341	Coon Town Farms, Inc.	Inclement weather
01/18/2018	2 Pallets of salt	466	Ross Farm	Inclement weather
01/18/2018	White salt and mineral salt	4,768	Rankin County Cooperative	Inclement weather
01/18/2018	Service call for heater	65	Blossman Gas, Inc.	Inclement weather
01/18/2018	Salt	1,043	Magee Cooperative	Inclement weather
04/16/2018	LED replacement	28,015	Jackson Communication	Struck by lightning and considered a danger to the public

RANKIN COUNTY

Schedule 3

Schedule of Purchases Made Noncompetively From a Sole Source  
For the Year Ended September 30, 2018

<u>Date</u>	<u>Item Purchased</u>	<u>Amount Paid</u>	<u>Vendor</u>
11/13/2017	Tasers, holsters, and battery packs	\$ 14,939	Axon Enterprises
01/02/2018	Vdrive for Verity Voting Equipement	9,545	Hart Intercivic, Inc.
03/19/2018	Tasers, holsters, and battery packs	8,762	Axon Enterprises
06/06/2018	Electronic fingerprinting hardware and software	24,874	Morpho Trust USA
08/07/2018	Removal of existing field devices	35,595	B & E Communications, Inc.



**STATE OF MISSISSIPPI**  
**OFFICE OF THE STATE AUDITOR**  
**SHAD WHITE**  
AUDITOR

LIMITED INTERNAL CONTROL AND COMPLIANCE REVIEW MANAGEMENT REPORT

Members of the Board of Supervisors  
Rankin County, Mississippi

In planning and performing our audit of the financial statements of Rankin County, Mississippi for the year ended September 30, 2018, we considered Rankin County, Mississippi's internal control to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on internal control.

In addition, for areas not considered material to Rankin County, Mississippi's financial reporting, we have performed some additional limited internal control and state legal compliance review procedures as identified in the state legal compliance audit program issued by the Office of the State Auditor. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the County's compliance with these requirements. Accordingly, we do not express such an opinion. This report does not affect our report dated September 24, 2019, on the financial statements of Rankin County, Mississippi.

Due to the reduced scope, these review procedures and compliance tests cannot and do not provide absolute assurance that all state legal requirements have been complied with. Also, our consideration of internal control would not necessarily disclose all matters within the internal control that might be weaknesses. In accordance with Section 7-7-211, Miss. Code Ann. (1972), the Office of the State Auditor, when deemed necessary, may conduct additional procedures and tests of transactions for this or other fiscal years to ensure compliance with legal requirements.

The results of our review procedures and compliance tests identified certain areas that are opportunities for strengthening internal controls and operating efficiency. Our findings, recommendations, and your responses are disclosed below:

**Board of Supervisors.**

1. Chancery Clerk and Circuit Clerk did not have sufficient funds in payroll clearing accounts.

**Repeat Finding** No

**Criteria** Section 19-13-43, Miss. Code Ann. (1972), prohibits warrants from being signed and delivered by the Clerk until there are sufficient funds in the account upon which it is drawn to pay the same.

**Condition** During audit test work, it was noted that the Chancery and Circuit Clerks' payroll clearing funds were issuing warrants with a deficit cash balance in the funds.

**Cause** This was caused by management oversight. Several reimbursements for healthcare premiums that are paid on behalf of the Chancery and Circuit Clerk out of the General Fund were not transferred into the Chancery and Circuit Clerks' payroll clearing funds in a timely manner.

**Effect** This resulted in the disbursement of payroll expenditures without the sufficient funds to cover the warrants being issued.

**Recommendation** The County should comply with state laws to ensure the immediate deposit of all payroll reimbursements into the Chancery and Circuit Clerks' payroll clearing funds. As of September 30, 2018, the Chancery and Circuit Clerks' payroll balances were paid in full.

**Views of Responsible Official(s)** In compliance with Section 19-13-43, controls have been put in place to ensure the immediate deposit of all payroll reimbursements in the Chancery (697) and Circuit (698) Clerk's payroll clearing funds. A journal entry will be made accordingly after each payroll is posted and the insurance premium reimbursement due from the general fund can be determined for each fund.

2. County employees should be paid in accordance with state law.

**Repeat Finding** No

**Criteria** Section 25-3-29, Miss. Code Ann. (1972), requires the salaries of the Tax Assessor, Tax Collector, the Board of Supervisors, the County Auditor, and the Sheriff to be paid monthly. Furthermore, Section 25-3-36(5), Miss. Code Ann. (1972), requires the salaries of the Justice Court Judges to be paid monthly. However, both statutes include a provision whereby the Board of Supervisors, by resolution duly adopted and entered on its minutes, may provide that such salaries be paid semi-monthly on the first and fifteenth day of each month.

**Condition** The County uses a bi-weekly payroll period to pay many of its employees. State law does not allow for a bi-weekly payroll period.

**Cause** The County is not in compliance with state laws.

**Effect** Failure to pay the salaries of elected officials and other employees in accordance with state law could result in the payment of salaries in amounts other than those allowed by law.

**Recommendation** The County should comply with state laws and implement either a monthly or, if approved by the Board of Supervisors, a semi-monthly schedule for the payment of elected officials' and other employees' salaries.

**Views of Responsible Official(s)** In compliance with Section 25-3-29, the County will plan to transition from paying bi-weekly, as approved by former county administrator in 2005, to paying employees once a month (monthly) or twice a month (semi-monthly). If an employee must be paid in accordance with another law, the resolution will be adopted and entered on the Board of Supervisors' minutes.

3. The Board of Supervisors should renew interlocal agreements for the collection of municipal ad valorem taxes.

**Repeat Finding** No.

**Criteria** Section 17-13-9(1)(a), Miss. Code Ann. (1972), states that any agreement between the Board of Supervisors and a municipality must specify the duration of the agreement.

**Condition** The Board of Supervisors entered into interlocal agreements with several municipalities for the collection of city ad valorem taxes. The interlocal agreements did not specify a complete duration. The duration was incomplete because an indefinite time period was used for the ending dates.

**Cause** The County did not comply with state law.

**Effect** Failure to specify beginning and ending dates to the duration of interlocal agreements could result in outdated agreements that are no longer in compliance with current state laws.

**Recommendation** The Board of Supervisors should enter into new contracts for the collection of municipal ad valorem taxes that contain beginning and ending dates, as required by law.

<b>Views of Responsible Official(s)</b>	The Board Attorney has drafted proposed interlocal agreements with each municipality in Rankin County for the purpose of assessing and collecting municipal ad valorem taxes for said cities and providing for reimbursement to Rankin County for said services. The draft agreements contain a defined duration and will correct this issue.
<b>4.</b>	<u>The Board of Supervisors should strengthen controls to ensure compliance of accounting for restricted funds.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	Section 23-15-5(2)(a)(i), Miss. Code Ann. (1972), states monies distributed by the Secretary of State from the Election Support Fund shall be held in a separate fund solely for the purpose of acquiring, upgrading, maintaining or repairing voting equipment, systems and supplies, hiring temporary technical support, conducting elections using such voting equipment or systems, employing such personnel to conduct an election, and training election officials.
<b>Condition</b>	The Board of Supervisors deposited the Election Support funds into the General Fund as miscellaneous revenues.
<b>Cause</b>	The County did not comply with state law.
<b>Effect</b>	Failure to correctly record restricted funds could result in the misappropriation of funds.
<b>Recommendation</b>	The Board of Supervisors should create a separate fund to account for monies received from the Election Support Fund.
<b>Views of Responsible Official(s)</b>	There were no excess funds remaining from the Election Support funds received this year. All funds were spent as required by the statute. A new fund (190) has been added for future Election Support funds received.
<b>Circuit Clerk.</b>	
<b>5.</b>	<u>The Circuit Clerk deducted unallowable expenses on the Annual Financial Report.</u>
<b>Repeat Finding</b>	No
<b>Criteria</b>	Section 9-1-43(1), Miss. Code Ann. (1972), limits the compensation of the Circuit Clerk to \$90,000 after making deductions for employee salaries and related expenses and expenses allowed as deductions by Schedule C of the Internal Revenue Code. A business expense must be both ordinary and necessary to be deductible. All fees received in excess of this amount, less any allowable expenses, are to be paid to the County's General Fund on or before April 15 <sup>th</sup> for the preceding calendar year.
<b>Condition</b>	The Circuit Clerk claimed \$429.96 in unallowable expenses on the 2018 Annual Financial Report.
<b>Cause</b>	The Circuit Clerk did not comply with state law.
<b>Effect</b>	Failure to claim only allowable expenses on the Annual Financial Report resulted in the Circuit Clerk being paid \$429.96 in excess of the statutory allowance.
<b>Recommendation</b>	The Circuit Clerk should ensure that only allowable expenses are claimed on the Annual Financial Report.
<b>Views of Responsible Official(s)</b>	This problem has been corrected.

**Auditor's Note** The Circuit Clerk corrected the 2018 Annual Financial Report to reflect the total expenses less the disallowed amount of \$429.96 before making a payment to the Board of Supervisors on April 15<sup>th</sup>.

**Circuit Clerk and Deputy Circuit Clerks.**

6. Deputy Circuit Clerks should be bonded as required by state statute.

**Repeat Finding** No

**Criteria** Section 9-7-123(2), Miss. Code Ann. (1972), requires that all Deputy Circuit Clerks be bonded for three percent (3%) of the prior year's taxes with a minimum of \$50,000 and a maximum of \$100,000. Furthermore, Section 25-1-15(2), Miss. Code Ann. (1972), requires a new bond every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.

**Condition** The Deputy Circuit Clerks are bonded for an indefinite time period under a blanket bond for \$50,000.

**Cause** The County did not comply with state laws.

**Effect** Failure to comply with state law would limit the amount available for recovery if a loss occurred over multiple terms.

**Recommendation** The County should cancel the blanket bond and obtain individual bonds for each Deputy Circuit Clerk. Additionally, the County should ensure that all Deputy Circuit Clerks are bonded in accordance with state law.

**Views of Responsible Official(s)** I will check with the Chancery Clerk's office to make sure the bonds are properly filed.

**Justice Court Clerk and Deputy Justice Court Clerks.**

7. The Justice Court Clerk and all Deputy Justice Court Clerks should be bonded as required by state statute.

**Repeat Finding** No

**Criteria** Section 9-11-29(2), Miss. Code Ann. (1972), requires that the Justice Court Clerk and each Deputy Justice Court Clerk be bonded for a minimum of \$50,000. Furthermore, Section 25-1-15(2), Miss. Code Ann. (1972), requires a new bond every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.

**Condition** The Justice Court Clerk and all the Deputy Justice Court Clerks are bonded for an indefinite time period under a blanket bond for \$50,000.

**Cause** The County did not comply with state laws.

**Effect** Failure to comply with state law would limit the amount available for recovery if a loss occurred over multiple terms.

**Recommendation** The County should cancel the blanket bond and obtain individual bonds for the Justice Court Clerk and each Deputy Justice Court Clerk. Additionally, the County should ensure that the Justice Court Clerk and all Deputy Justice Court Clerks are bonded in accordance with state law.

**Views of Responsible Official(s)** Will comply and will follow up with the Board of Supervisors.

**Tax Assessor and Deputy Tax Assessors.**

8. Deputy Tax Assessors should be bonded as required by state statute.

**Repeat Finding** No

**Criteria** Section 27-1-3, Miss. Code Ann. (1972), requires that each Deputy Tax Assessor shall give bond in an amount not less than \$10,000 for the faithful discharge of his duties. Also, Section 25-1-15(2), Miss. Code Ann. (1972), requires a new bond every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.

**Condition** The Deputy Tax Assessors are bonded for an indefinite time period under a blanket bond for \$10,000.

**Cause** The County did not comply with state laws.

**Effect** Failure to comply with state law would limit the amount available for recovery if a loss occurred over multiple terms.

**Recommendation** The County should cancel the blanket bond and obtain individual bonds for each Deputy Tax Assessor. Additionally, the County should ensure that all the Deputy Tax Assessors are bonded in accordance with state law.

**Views of Responsible Official(s)** All sixteen Deputy Tax Assessors are now bonded through the period of time through 12/31/19, concurrent with the normal local government election cycle. This is in compliance with Section 27-1-3 and Section 25-1-15(2).

**Tax Collector and Deputy Tax Collectors.**

9. Deputy Tax Collectors should be bonded as required by state statute.

**Repeat Finding** No

**Criteria** Section 27-1-9(a), Miss. Code Ann. (1972), requires each Deputy Tax Collector to be bonded for an amount not less than \$50,000. Also, Section 25-1-15(2), Miss. Code Ann. (1972), requires a new bond every four years concurrent with the normal election cycle of the County for all public employees required to give individual bond.

**Condition** The County has twenty-seven (27) Deputy Tax Collectors. Twenty-one (21) of the Deputy Tax Collectors are bonded for an indefinite time period under a blanket bond for \$50,000. Six (6) Deputy Tax Collectors are not bonded.

**Cause** The County did not comply with state laws.

**Effect** Failure to comply with state law would limit the amount available for recovery if a loss occurred over multiple terms.

**Recommendation** The County should cancel the blanket bond and obtain individual bonds for each Deputy Tax Collector. Additionally, the County should ensure that all the Deputy Tax Collectors are bonded in accordance with state law.

**Views of Responsible Official(s)** All 27 Deputy Tax Collectors are now correctly bonded in the amount of \$50,000 for the period of time through 12/31/19, concurrent with the normal local government election cycle. This is in compliance with Section 27-1-9(a) and Section 25-1-15(2).

Rankin County's responses to the findings included in this report were not audited, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Supervisors, and others within the entity and is not intended to be and should not be used by anyone other than these parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Joe E. Mcknight". The signature is written in a cursive, flowing style.

JOE E. MCKNIGHT, CPA  
Director, County Audit Section

September 24, 2019

RANKIN COUNTY

SCHEDULE OF FINDINGS AND RESPONSES

RANKIN COUNTY

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RANKIN COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2018

Section 1: Summary of Auditor's Results

**Financial Statements:**

1. Type of auditor's report issued on the financial statements:
 

Governmental activities	Qualified
Aggregate discretely presented component units	Adverse
General Fund	Qualified
County Unit Road Maintenance Fund	Unmodified
County Unit Bridge and Culvert Fund	Unmodified
Rankin County Bond & Interest Fund	Unmodified
Courthouse Facility 2017 Bond Fund	Unmodified
Aggregate remaining fund information	Unmodified
  
2. Internal control over financial reporting:
  - a. Material weaknesses identified? Yes
  - b. Significant deficiency identified? None Reported
  
3. Noncompliance material to the financial statements noted? No

Section 2: Financial Statement Findings

**Board of Supervisors.**

**Material Weakness**

**2018-001.**                    The component units should be included in the financial statements.

**Repeat Finding**            Yes

**Criteria**                    Generally Accepted Accounting Principles require the financial data of the County's component units to be reported with the financial data of the County's primary government unless the County also issues financial statements for the financial reporting entity that include the financial data of the County's legally separate component units.

**Condition**                    As reported in the prior eleven years' audit reports, the financial statements do not include the financial data for the County's legally separate component units.

**Cause**                        The County was unable to obtain audited financial statements of its component units.

**Effect**                        The failure to properly comply with Generally Accepted Accounting Principles resulted in an adverse opinion on the discretely presented component units for the inclusion in the County's financial statements.

**Recommendation**        The Board of Supervisors should provide the audited financial data for its discretely presented component units for the inclusion in the County's financial statements.

**Views of Responsible Official(s)**                    It is cost prohibitive for the component units to prepare and provide financial statements for Rankin County.

RANKIN COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2018

**Material Weakness**

**2018-002.** Liability for postemployment benefits not recorded and note disclosures for postemployment benefits not reported.

**Repeat Finding** No

**Criteria** Rankin County purchases health insurance coverage from a commercial insurance company and offers health insurance benefit coverage to active employees and retirees through the County's health insurance plan. Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the County has a postemployment healthcare benefit reportable under GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as a single-employer defined benefit health care plan. GASB Statement No. 45 requires the County to report on an accrual basis the liability associated with other postemployment benefits.

**Condition** The County does not issue a publicly available financial report for its health insurance plan. However, the County has not recorded a liability for other postemployment benefits nor has the County reported the note disclosures that are required by accounting principles generally accepted in the United States of America.

**Cause** This was caused by a lack of resources.

**Effect** The failure to follow Generally Accepted Accounting Principles resulted in a qualified opinion on the Governmental Activities' opinion unit.

**Recommendation** The Board of Supervisors should have an actuarial valuation performed annually so that a liability for other postemployment benefits can be recorded and the appropriate note disclosures can be made in accordance with accounting principles generally accepted in the United States of America.

**Views of Responsible Official(s)** Rankin County currently has nine retirees that remain on our health insurance plan. When considering the possibility of acquiring actuarial services to prepare the OPEB liability, the County did not believe it to be fiscally responsible to utilize taxpayer funds for this purpose. The Board of Supervisors currently continues to review policies that pertain to its retirees, the offering of retiree health insurance, and the issues affecting compliance with GASB 45.

**Inventory Control Clerk.**

**Material Weakness**

**2018-003.** The Inventory Control Clerk should maintain an inventory control system.

**Repeat Finding** No

**Criteria** An effective system of internal control over capital asset subsidiary records should include proper recording of capital assets additions and the proper classification of assets.

**Condition** During our audit of capital assets, we noted \$20,382,623 in construction in progress, infrastructure, and other assets that were not properly recorded in the capital asset subsidiary records. We also noted some assets were not appropriately classified for capitalization purposes within the inventory control system.

**Cause** These errors in the capital asset records were caused by failure to implement internal control procedures to ensure that all items are recorded, valued properly and classified properly in the

RANKIN COUNTY

Schedule of Findings and Responses  
For the Year Ended September 30, 2018

County's capital asset records.

**Effect** Failure to maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of public funds.

**Recommendation** The Inventory Control Clerk should implement appropriate control procedures to ensure that all capital assets are recorded, valued properly and classified properly in the County's capital asset records.

**Views of Responsible Official(s)** Measures and controls are in place to aid the Inventory Control Clerk in ensuring that all capital assets are properly recorded in the County's inventory system.

**Justice Court Clerk.**

**Material Weakness**

**2018-004.** The Justice Court Clerk should ensure effective controls over fines receivable.

**Repeat Finding** No

**Criteria** An effective system of internal control over fines receivable records should include maintaining adequate subsidiary records to substantiate the total fines receivable balance.

**Condition** Management did not maintain adequate subsidiary records documenting the existence and valuation of fines receivable for Justice Court fines and the aging of fines receivable as of September 30, 2018. The Justice Court aging of fines receivable report included fine balances for cases that were not adjudicated prior to the fiscal year end. Cases that are not adjudicated have not been earned by the County and therefore, the fine on that case is not a receivable of the County. The extent to which these accounts misstate the Justice Court fines receivable balance is not known.

**Cause** The Justice Court Clerk failed to run the correct report on October 1, 2018. Due to the nature of the report, it could not be re-run at a later date.

**Effect** The Independent Auditor's Report includes a qualified opinion on the General Fund because we were unable to satisfy ourselves as to the fair presentation of the Justice Court fines receivable.

**Recommendation** The Justice Court Clerk should establish procedures documenting the existence and valuation of Justice Court fines receivable, including the aging schedule of fines receivable for only fines due the County as of September 30<sup>th</sup>.

**Views of Responsible Official(s)** Will comply.